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IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA

KFX MEDICAL CORPORATION, a
Delaware corporation,

Plaintiff and Counterdefendant,

v.

ARTHREX, INCORPORATED, a
Delaware corporation,

Defendant and Counterclaimant.

Case no. 11cv1698 DMS (BLM)

**MEMORANDUM OF POINTS
AND AUTHORITIES IN
SUPPORT OF PLAINTIFF'S
MOTION FOR SUMMARY
JUDGMENT OF NO
INEQUITABLE CONDUCT IN
CONNECTION WITH U.S.
PATENT NOS. 8,100,942 &
8,109,969**

Date: June 28, 2013

Time: 1:30 p.m.

Courtroom 13A

Honorable Dana M. Sabraw

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I. INTRODUCTION

Arthrex has asserted an inequitable conduct defense as to KFx's '942 and '969 patents based on two theories. First, Arthrex alleges that KFx attorney Ryan Melnick should have drawn the examiner's attention to certain prior art materials – the Millett article and the related Scott Statement – that were properly submitted to the Patent Office and considered by the Patent Office examiner. Second, Arthrex alleges that Melnick failed to disclose “the actual priority date” of the claims in the '969 patent application.

Ruling on KFx's motion to dismiss, this Court found that Arthrex had alleged facts which, if proved, could establish its allegations of inequitable conduct. It is now apparent that Arthrex cannot prove those allegations. Fact discovery has closed, and Arthrex has produced no evidence to support its claim of inequitable conduct. Accordingly, KFx is entitled to summary judgment on Arthrex's inequitable conduct defenses and counterclaims.

To establish inequitable conduct, Arthrex must prove by clear and convincing evidence that Melnick made a material misrepresentation or omission, and that he did so with the specific intent to deceive the Patent Office. *See Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1287 (Fed. Cir. 2011) (*en banc*). Arthrex can prove neither prong of this exacting standard.

First, the record evidence precludes a finding that Melnick acted with deceptive intent. Under the law, Melnick was under no obligation to call the examiner's specific attention to any prior art reference. It sufficed that he properly submitted all the prior art materials to the Patent Office. Likewise, Melnick did nothing wrong when he included a general priority claim in the specification of the '969 patent application. While a patent applicant must specify the prior applications to which the pending *application* claims priority, it is the examiner's responsibility to determine the priority dates to which the individual *claims* are entitled.

1 Arthrex attempts to bolster its case for deceptive intent by twisting a
2 routine action by Melnick to cast it in a sinister light. Specifically, Arthrex
3 alleges that Melnick identified the Scott Statement as “*submitted* in Re-
4 Examination No. 90/011,430” during the prosecution of the ‘942 and ‘969
5 patent applications, even though the Scott Statement was never substantively
6 *considered* in that reexamination. According to Arthrex, Melnick’s intent was
7 to cause the examiner not to consider the Scott Statement and Millet article in
8 connection with the ‘942 and ‘969 patent applications.

9 However, Melnick explained at his deposition that he identified the Scott
10 Statement as “submitted in Re-Examination No. 90/011,430” because this was
11 accurate. And Patent Office records confirm that Melnick accurately identified
12 the Scott Statement by title, by date and by the administrative proceeding in
13 which it was created, just as he did with many other documents on the same
14 Patent Office form. No evidence produced in discovery contradicts Melnick’s
15 testimony or otherwise supports Arthrex’s accusation that Melnick was
16 attempting to divert the Patent Office from the Scott Statement. Thus, because
17 one may reasonably infer from the record evidence that Melnick acted without
18 deceptive intent, there can be no finding of deceptive intent as a matter of law.

19 Finally, Arthrex has produced no evidence in discovery that Melnick’s
20 alleged misconduct was material. Arthrex alleges that Melnick’s actions caused
21 the Patent Office to not consider the Millett article or the Scott Statement. But
22 the file histories show that the examiner signed the page of the Information
23 Disclosure Statement (“IDS”) listing the Millett article as well as the page
24 listing the Scott Statement. The examiner also wrote down the “date
25 considered” for each of these pages. This evidence, which establishes beyond
26 reasonable dispute that the examiner did consider these prior art materials, is not
27 contradicted by any actual evidence. Arthrex’s *supposition* that the examiner

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1 would have discussed the Millett article had he considered the article is not clear
2 and convincing evidence of materiality.

3 The Federal Circuit in *Therasense* described the habit of charging
4 inequitable conduct as a “plague” and deplored the fact that “[r]eputable lawyers
5 seem to feel compelled to make the charge against other reputable lawyers on
6 the slenderest grounds....” *Therasense*, 649 F.3d at 1289. The court could have
7 been describing this case. In prosecuting the ‘942 and ‘969 patents, Ryan
8 Melnick withheld no prior art, submitted no false declaration, made no
9 statement that was even inaccurate. The charges of fraud that have been leveled
10 at him are grounded entirely in speculation and innuendo. Such grounds are far
11 too slender to satisfy *Therasense*’s tightened standard for proving inequitable
12 conduct.

13 **II. FACTUAL BACKGROUND**

14 **A. The Asserted KFx Patents**

15 The three asserted patents describe knotless bone anchors and methods
16 that allow soft tissue to be attached to bone without the tying of knots. Tying
17 knots with suture is particularly difficult during arthroscopic surgery, as the
18 surgeon must tie each knot with instruments inserted through very small
19 incisions and can only watch the process by means of a video monitor. Tate
20 Scott Decl. ¶¶ 4-5.¹ By eliminating knot tying, KFx’s inventions simplify the
21 process of attaching soft tissue to bone and make it more reliable. *Id.* ¶ 13-14.

22 KFx has asserted U.S. Patent No. 7,585,311 (“the ‘311 patent”) and two
23 continuation patents: U.S. Patent Nos. 8,100,942 (“the ‘942 patent”) and
24 8,109,969 (“the ‘969 patent”). Exs. 1-3.² All three patents share the same
25

26 ¹ The July 13, 2012 Declaration of Tate Scott (D.I. 41), submitted in support of KFx’s prior
27 motion for summary judgment, is being resubmitted in support of the present motion.

28 ² All exhibit citations are to the Declaration of Sean M. Murray unless otherwise indicated.

specification. The anchors and methods described in the asserted patents can be used in a variety of procedures, but they are especially useful for repairing a torn rotator cuff. Ex. 1 at col. 1, ll. 50-52. A typical rotator cuff repair involves reattaching the rotator cuff tendon to the shoulder bone with suture that extends between two bone anchors inserted in the shoulder bone. Figure 2 from the asserted patents shows rotator cuff tendon 12 attached to shoulder bone 16 via suture 10 and bone anchors 20 and 22. In Figure 2, the bone anchor 20 lies underneath the rotator cuff tendon 12.

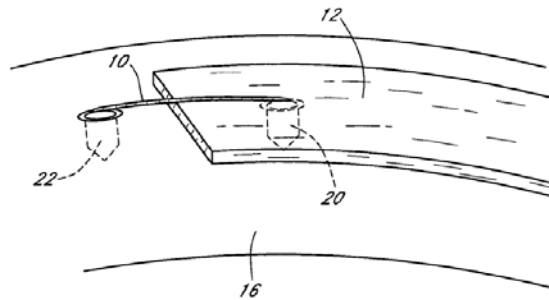


FIG. 2

Id. at Fig. 1.

Rotator cuff repairs are typically performed arthroscopically to avoid the large incisions and lengthy hospital stays associated with traditional “open” surgery. Scott Decl. ¶ 4. However, prior arthroscopic techniques for repairing rotator cuffs required the surgeon to attach suture to bone anchors by tying knots, a task requiring exceptional skill and dexterity on the part of the surgeon. *Id.* at ¶ 5. And if a knot is not tied with the proper tension, the rotator cuff can re-separate from the bone. Ex. 1 at col. 1, lines 35-42.

The knotless bone anchors described in KFx’s patents allow suture to be easily secured to a pair of bone anchors without tying knots. *Id.* at Figs. 2, 3 A-C, 16 A-F. The patents describe a “double row” procedure in which a first bone anchor is placed in a portion of the shoulder bone lying underneath the rotator cuff tendon (“medial” placement) and a second anchor is placed in a portion of the bone beyond the edge of the tendon (“lateral” placement). *See, e.g.*, Ex. 1 at

col. 12, l. 50 – col. 13, l. 16 and Figs 16A-F. Suture is extended from the first anchor to the second anchor, tensioned appropriately to compress the tendon to the bone, and then attached to the second bone anchor without tying knots. *Id.* (especially Figs. 16E-F).

B. The Millett Article And The Scott Statement

The allegations of inequitable conduct in Arthrex’s answer relate to an article by Peter J. Millett that was published in October 2004.³ The Millett article describes methods of attaching soft tissue to bone through tying knots. Ex. 4 at 108-09. The article also states that its authors “have used the technique clinically in more than 50 cases without any adverse effects.” *Id.* at 109. KFx submitted the Millett article to the Patent Office during the prosecution of the ‘311 patent and then twice more during the prosecution of the ‘942 and ‘969 patents. Exs. 5-7 (IDS forms).

In about August 2005, KFx CEO Tate Scott had a conversation with Peter Millett which included a discussion of the work described in the October 2004 Millett article. Scott Decl. ¶¶ 11-14. Millett told Scott that this work had been performed in the two years prior to the article’s publication. *Id.* ¶¶ 12-13, 23. It never crossed Scott’s mind to inform the Patent Office about his conversation with Millet because he had never submitted a description of a conversation to the Patent Office, because he understood that the Millet article had been or would be submitted to the Patent Office, and because Millet had said nothing of substance about his work that was not already in the article. *Id.* ¶ 15. The Millet article itself was properly submitted to the Patent Office on January 30, 2007, and the ‘311 patent issued on September 8, 2009. Ex. 5 (IDS); Ex. 1 (‘311 patent).

³ Peter J. Millett *et al.*, “Mattress Double Anchor Footprint Repair: A Novel, Arthroscopic Rotator Cuff Repair Technique” and published in October 2004 in *Arthroscopy: The Journal of Arthroscopic and Related Surgery*, Vol. 20, No. 8. Ex. 4

1 After an anonymous third party petitioned for reexamination of the ‘311
 2 patent, the Patent Office granted the petition on February 16, 2011. Ex. 8.
 3 Under the relevant federal regulations, KFx had two months to submit any
 4 relevant prior art to the Patent Office on an IDS form. Ex. 9 (37 C.F.R.
 5 § 1.555(a)). But on March 28, 2011, before the two-month period had elapsed,
 6 the Patent Office issued an early notice of intent to issue a reexamination
 7 certificate for the ‘311 patent. Ex. 10. KFx proceeded to submit its IDS form
 8 on April 12, 2012, within the required two-month period. Ex. 11. Included
 9 with the IDS form was a “Statement of Tate Scott” that described Tate’s
 10 conversation with Millet. Ex. 11 at 167 (IDS listing Scott Statement); Ex. 12
 11 (Scott Statement). However, the examiner declined to consider any materials
 12 submitted after its notice of intent to issue a reexamination certificate, so KFx
 13 formally petitioned the Patent Office to consider the those materials. Ex. 13.
 14 The Patent Office denied the petition. Ex. 14.

15 KFx later submitted the Scott Statement to the Patent Office on two
 16 additional occasions: in the prosecution of the ‘942 patent and the prosecution
 17 of the ‘969 patent. Ex. 6 at 127 (IDS form - ‘942 prosecution); Ex. 7 at 135
 18 (IDS form - ‘969 prosecution). The line of each IDS form listing the Scott
 19 Statement identified it as follows: “Statement of Tate Scott, dated April 12,
 20 2011, submitted in Re-Examination No. 90/011,430.” Ex. 6; Ex 7.

21 **C. Arthrex’s Allegations Of Inequitable Conduct**

22 Arthrex made a number of inequitable conduct allegations in its answer.
 23 In connection with the ‘311 patent, Arthrex alleged that KFx intentionally
 24 submitted the Scott Statement late in the ‘311 patent reexamination so that the
 25 statement would not be considered by the Patent Office in connection with the
 26 ‘311 patent. D.I. 28 at ¶¶ 81-118. That allegation of inequitable conduct was
 27 dismissed by the Court on KFx’s prior motion for summary judgment.

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1 Arthrex also made three broad allegations of inequitable conduct in
2 connection with the '942 and '969 patents. First, Arthrex alleged that, during
3 the prosecution of the '942 and '969 patents, KFx's attorney Ryan Melnick
4 intentionally diverted the examiner from the Millet article by not calling the
5 examiner's attention to the Millet article and Scott Statement, and by describing
6 the Scott Statement as "submitted in Re-Examination No. 90/011,430." *Id.* at ¶¶
7 123-140, 144-153. Arthrex alleges that Melnick's description of the Scott
8 Statement as "submitted in Re-Examination No. 90/011,430" was designed to
9 mislead the examiner into believing that the statement had been considered in
10 that reexamination and therefore did not need to be considered in the
11 prosecution of the '942 and '969 patent applications. *Id.*

12 Second, Arthrex alleged that Melnick improperly included in the '969
13 patent application a claim for priority to three provisional applications, even
14 though the claims of this patent are entitled to the later date of KFx's first non-
15 provisional application. *Id.* ¶¶ 120-22, 141-43, 153. Arthrex contended that,
16 because Melnick did not inform the examiner that the claims of the '969 patent
17 were entitled to a later priority date, the examiner was misled into believing that
18 Millet article was not prior art to these claims. *Id.* at ¶¶ 141-43.

19 Third, Arthrex alleged that Melnick committed inequitable conduct in
20 connection with Arthrex's invalidity contentions in this case. *Id.* at ¶¶ 154-68.
21 Arthrex served those contentions after the '942 patent had issued, after the
22 Patent Office had issued a notice of allowance for the '969 patent, and after KFx
23 had paid the issue fee for the '969 patent. *Id.* ¶¶ 145, 154-55; Ex. 2. Although
24 Melnick promptly submitted these contentions to the Patent Office, Arthrex
25 asserted that Melnick should have petitioned the Patent Office to withdraw the
26 allowed patent from issuance so the examiner could consider Arthrex's
27 contentions. D.I. 28 at ¶¶ 156-58, 164-65.

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1 **D. Procedural History**

2 In May 2012, KFx filed a motion to dismiss all three of Arthrex's
 3 inequitable conduct claims relating to the '942 and '969 patents. D.I. 30. The
 4 Court granted the motion in part and denied it in part. D.I. 49. Specifically, the
 5 Court dismissed Arthrex's third ground for inequitable conduct, which alleged
 6 that Melnick should have petitioned the Patent Office to withdraw the '969
 7 patent from issuance so that the examiner could consider Arthrex's invalidity
 8 contentions. *Id.* at 8. However, the Court found that Arthrex's first and second
 9 grounds for inequitable conduct satisfied the pleading standard. *Id.* at 5-7. That
 10 is, the Court found that Arthrex had sufficiently alleged that KFx intentionally
 11 misled the Patent Office away from material information and misled the
 12 examiner regarding the priority date of the '969 patent claims. *Id.* With regard
 13 to the intent prong of the inequitable conduct standard, the Court stated that
 14 "Arthrex's allegation of KFx's pattern of misconduct surrounding all three
 15 patents allows for a reasonable inference of specific intent" to deceive the Patent
 16 Office. *Id.* at 7.

17 In July 2012, KFx filed a motion for summary judgment on Arthrex's
 18 allegation of inequitable conduct in connection with the '311 patent, *i.e.*, the
 19 allegation that KFx committed inequitable conduct by failing to submit the Scott
 20 Statement earlier in the reexamination of the '311 patent. D.I. 39. KFx's
 21 motion was based on the Declaration of Tate Scott, which has been resubmitted
 22 in support of the present motion. As noted above, Scott testified that it had
 23 never crossed his mind to submit the Scott Statement to the Patent Office. *Id.* at
 24 ¶ 15. While he had submitted documents to the Patent Office on numerous
 25 occasions, he had never submitted a description of a conversation before. *Id.*
 26 Moreover, when he spoke with Millett, Scott had no interest in when Millett did
 27 his work – his primary concern was to solicit Millett's thoughts on KFx's

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1 technology and to generate interest in that technology in the marketplace. *Id.* at
 2 ¶¶ 8, 11-16. Scott further testified:

3 I did not believe Millett told me anything of substance about his
 4 work that was not already in the article. ... I fail to see how
 5 anyone could read the article and not conclude he did the work
 6 well before the article was published.

7 *Id.* at ¶ 16.

8 The Court granted KFx's motion for summary judgment on October 15,
 9 2012. D.I. 65. The Court held that the evidence "allows for an inference that
 10 Mr. Scott did not believe the information was material because it was
 11 cumulative to information that was available to the examiner." *Id.* at 7.
 12 Because the evidence did not require an inference that Scott knew the
 13 information was material and intentionally withheld it, the Court held that a
 14 finding of intent to deceive was precluded by the applicable legal standards. *Id.*

15 After the Court's October 15, 2012 order, the only grounds for
 16 inequitable conduct remaining in the case are the first two of Arthrex's three
 17 grounds for inequitable conduct in connection with the '942 and '969 patents,
 18 *i.e.*, its allegations that KFx intentionally misled the Patent Office away from
 19 material information and misled the examiner regarding the priority date of the
 20 '969 patent claims. Arthrex took the deposition of Ryan Melnick on December
 21 4, 2012, and fact discovery closed on December 21, 2012. KFx now brings the
 22 present motion seeking summary judgment on Arthrex's remaining two grounds
 23 for inequitable conduct. KFx's motion is based on Melnick's testimony,
 24 controlling Federal Circuit precedent, and Arthrex's failure to produce any
 25 evidence in discovery to prove either materiality or intent to deceive.

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III. LEGAL STANDARDS

A. The Legal Standard for Summary Judgment

If the pleadings, depositions, answers to interrogatories, and admissions on file, together with any affidavits, show that there is no genuine issue as to any material fact, then the moving party is entitled to judgment as a matter of law. *See* Fed. R. Civ. P. 56 (c). If the non-moving party has the burden of proof at trial, the moving party does not have the burden to produce evidence showing the absence of a genuine issue of material fact. “Instead . . . the burden on the moving party may be discharged by ‘showing’ – that is, pointing out to the district court – that there is an absence of evidence to support the nonmoving party’s case.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 325 (1986).

B. Inequitable Conduct Requires Materiality and Intent

“Inequitable conduct is an equitable defense to patent infringement that, if proved, bars enforcement of a patent.” *Therasense*, 649 F.3d at 1285. “The substantive elements of inequitable conduct are: (1) an individual associated with the filing and prosecution of a patent application made an affirmative misrepresentation of a material fact, failed to disclose material information, or submitted false material information; and (2) the individual did so with a specific intent to deceive the PTO [Patent and Trademark Office].” *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1327 n.3 (Fed. Cir. 2009). Because intent and materiality are separate elements, a strong showing on one element cannot compensate for an insufficient showing on the other. *Therasense*, 649 F.3d at 1290. Accordingly, “a district court may not infer intent solely from materiality.” *Id.*

The Federal Circuit recently “tighten[ed] the standards for finding both intent and materiality in order to redirect a doctrine that has been overused to the detriment of the public.” *See Therasense*, 649 F.3d at 1290. The Court imposed a “but-for” standard for materiality. *Id.* at 1291. In other words, the

1 information must be so material that, “but for” the information being withheld
 2 from the Patent Office, the patent would not have been granted. As for intent to
 3 deceive the Patent Office, the Federal Circuit held that the evidence “must be
 4 sufficient to *require* a finding of deceitful intent in the light of all the
 5 circumstances.” *Id.* at 1290 (emphasis provided by the court). Thus, if multiple
 6 reasonable inferences may be drawn from the evidence, deceptive intent cannot
 7 be found. *Id.* at 1290-91.

8 **IV. ARGUMENT**

9 Summary judgment is appropriate because Arthrex produced no evidence
 10 in discovery that could establish its claim that Ryan Melnick committed
 11 inequitable conduct in prosecuting the ‘942 and ‘969 patent applications by
 12 intentionally diverting the Patent Office from the Millett work or by
 13 intentionally misleading the examiner about the priority date of the ‘969 patent
 14 claims.

15 **A. Arthrex Has Failed To Adduce Evidence From Which Deceptive** 16 **Intent Can Be Inferred**

17 It is undisputed that, in prosecuting the ‘942 and ‘969 patent applications,
 18 Melnick timely provided the Patent Office with both the Millett article and the
 19 Scott Statement. Exs. 6-7 (IDS forms). Arthrex nevertheless asserts that
 20 Melnick engaged in a “pattern” of misconduct aimed at diverting the examiner
 21 from these materials. On the contrary, for each supposed act of misconduct
 22 cited by Arthrex, the evidence of record permits the reasonable inference that
 23 Melnick acted without deceptive intent.

24 **1. Melnick Had No Duty To Call The Examiner’s Attention To** 25 **The Millet Article Or Scott Statement**

26 Arthrex seeks to infer deceptive intent from actions which, under
 27 controlling precedent, cannot be deemed improper. First, Arthrex claims that
 28 Melnick should have called the examiner’s attention to the Millett article and

1 Scott Statement, either in the examiner's interview or in his comments on the
 2 examiner's reasons for allowance. However, in *Fiskars, Inc. v. Hunt Mfg. Co.*,
 3 221 F.3d 1318 (Fed. Cir. 2000), the Federal Circuit expressly rejected the
 4 contention that an applicant has an obligation to bring references to the specific
 5 attention of the examiner. *See id.* at 1327. Thus Melnick had no duty to call the
 6 examiner's attention to the Millet article or any other reference that was
 7 properly submitted to the Patent Office. Arthrex cannot accuse Melnick of
 8 acting deceptively because he failed to comply with a duty that the law does not
 9 impose.

10 **2. Melnick's Priority Claim In The '969 Patent Application Was**
 11 **Entirely Proper**

12 Melnick also acted properly when he included in the '969 patent a claim
 13 of priority to KFx's provisional applications. Here Arthrex's allegations
 14 muddle the analysis by failing to distinguish between the application and its
 15 claims. A non-provisional *application* should claim priority to an earlier
 16 provisional application – even if the application's claims are not entitled to the
 17 priority date of the provisional – if only to ensure that the later patent will be
 18 considered prior art as of the date of the provisional. *See Purdue Pharma L.P.*
 19 *v. Boehringer Ingelheim GMBH*, 237 F.3d 1359, 1367 (Fed. Cir. 2001) (“it was
 20 logical for Purdue to claim priority to the '331 parent, even if the claims of the
 21 asserted patents are not entitled to the earlier priority date”). Thus, Melnick
 22 properly included in the '969 patent a claim of priority to KFx's provisional
 23 applications. *Id.*

24 The priority date for an application's *claims* need not be the earliest date
 25 to which the *application* claims priority. *See id.* “Patent claims are awarded
 26 priority on a claim-by-claim basis based on the disclosure in the priority
 27 applications.” *Lucent Technologies, Inc. v. Gateway, Inc.*, 543 F.3d 710, 718
 28 (Fed. Cir. 2008). Specifically, a claim is entitled to the filing date of the earliest

1 application that properly discloses the subject matter recited in the claim. *See*
 2 *Augustine Med., Inc. v. Gaymar Indus., Inc.*, 181 F.3d 1291, 1302 (Fed. Cir.
 3 1999). The Manual of Patent Examining Procedure (MPEP) instructs examiners
 4 that only claims supported by the disclosure of a provisional application are
 5 entitled to the provisional's filing date. Ex. 15 at 202 (MPEP §706.02) ("the
 6 effective filing date is the filing date of the provisional application *for any*
 7 *claims* which are fully supported under the first paragraph of 35 U.S.C. § 112
 8 by the provisional application") (emphasis added). Therefore, that the '969
 9 *application* properly claimed priority to KFx's provisional applications told the
 10 examiner nothing about the priority date that should be accorded to the
 11 *individual claims* in the application. Thus, Melnick could not possibly have
 12 expected that the priority claim in the '969 patent application would mislead the
 13 examiner regarding the priority date of the '969 patent claims.

14 **3. The Evidence Supports The Inference That Melnick Acted**
 15 **Without Deceptive Intent In Describing The Scott Statement**

16 The centerpiece of Arthrex's alleged "pattern" of misconduct is its
 17 allegation that Melnick intended to mislead the examiner when he described the
 18 Scott Statement as "submitted in Re-Examination No. 90/011,430." The record
 19 evidence, however, fails to support this allegation. When Melnick submitted the
 20 Scott Statement to the Patent Office, he identified it as "Statement of Tate Scott,
 21 dated April 12, 2011, submitted in Re-Examination No. 90/011,430." Ex. 6 at
 22 127; Ex. 7 at 135. Thus he identified the Scott Statement by listing its title, its
 23 date, and the proceeding in which it was created. Melnick's identification was
 24 entirely accurate. Moreover, it was consistent with how he identified other
 25 documents created in administrative or judicial proceedings. For example, on
 26 line 194 of the same IDS forms, three lines above the entry for the Scott
 27 Statement, Melnick identified a document as "PCT Invitation to Pay Additional
 28 Fees, dated May 13, 2008, for International Application No.

1 PCT/US2007/083662.” *See, e.g.*, Ex. 7 at 135 (cite no. 194). Other documents
2 were similarly identified by title, date and relevant proceeding. *See, e.g., id.* at
3 134-35 (cite nos. 183-186, 192-94).

4 In his deposition, Melnick provided a straightforward and logical
5 explanation for why he identified the Scott Statement as submitted in Re-
6 Examination No. 90/011,430: “Because it was.” Ex. 16 at 113. Melnick further
7 testified that, in his view, an examiner would not consider it important that the
8 Scott Statement was only submitted in the ‘311 re-examination, not considered
9 there. *Id.* at 116-17. This is because an examiner has a duty to consider every
10 item submitted on an IDS form regardless of whether it was previously
11 considered in another proceeding. *Id.* Melnick’s account supports the
12 reasonable inference that his aim was to accurately identify the Scott Statement
13 on the IDS forms, not to deceive the Patent Office. Therefore deceptive intent
14 cannot be found as a matter of law. *See Therasense*, 649 F.3d at 1290-91
15 (“when there are multiple reasonable inferences that may be drawn, intent to
16 deceive cannot be found”); *Fugitsu Ltd. v. Tellabs Operations, Inc.*, No. 09 C
17 4530, 2012 WL 3133548 at *3 (N.D. Ill. July 31, 2012); *Mformation Techs.,*
18 *Inc. v. Research In Motion Ltd.*, 830 F.Supp.2d 815, 830 (N.D. Cal. 2011).

19 Moreover, deceptive intent may not be found unless the evidence of
20 record ***requires*** a finding of intent to deceive. *See Therasense*, 649 F.3d at
21 1290-91; *Mformation*, 830 F.Supp.2d at 829-31. Arthrex’s assertion that an
22 examiner could be confused by Melnick’s accurate identification of the Scott
23 Statement and that Melnick intended to create such confusion is pure
24 speculation unsupported by any evidence. An absence of evidence of deceit
25 hardly “requires” an inference of deceit.

26 Further, Arthrex’s theory makes no sense. No examiner would think that
27 a reference can be ignored simply because it was considered by another
28 examiner in connection with a related application. Even where applications

1 contain the same specification, they will contain different claims.
 2 Consequently, a reference that has little relevance to the claims in one
 3 application could be highly material to the claims in another. Melnick therefore
 4 could not have believed, as Arthrex suggests, that the examiner would assume
 5 that the Scott Statement was irrelevant to the '942 and '969 patent claims
 6 simply because another examiner had considered the statement in connection
 7 with different claims in a different application. Arthrex's theory of inequitable
 8 conduct is far too flawed to require a finding that Melnick intended to deceive
 9 the Patent Office. *See Therasense*, 649 F.3d at 1290-91; *Mformation*, 830
 10 F.Supp.2d at 829-31.

11 **4. The Court Has Already Found That KFx Acted Without**
 12 **Deceptive Intent In Connection With The '311 Patent**

13 Finally, Arthrex also relies on its allegation that KFx committed
 14 inequitable conduct by waiting to submit the Scott Statement to the Patent
 15 Office until after the examiner had mailed a notice of intent to issue a
 16 reexamination certificate. *See* D.I. 36 at 6-9 (Opp. to Motion to Dismiss).
 17 Arthrex has argued that this alleged inequitable conduct is part of a "pattern of
 18 deceit" that extended from the prosecution of the '311 patent all the way to the
 19 prosecution of the '969 patent. D.I. 36 at 6-9. But this Court ruled on October
 20 15, 2012 that Arthrex had failed to prove inequitable conduct in connection with
 21 the '311 patent because the evidence permits the inference that Scott acted
 22 without any intent to deceive the Patent Office. D.I. 65 at 7. Specifically, the
 23 Court determined that the evidence permits the reasonable inference that Scott
 24 did not submit a description of his conversation with Millet earlier because he
 25 believed it was cumulative of information already available to the examiner. *Id.*
 26 at 7. Thus KFx's conduct in connection with the '311 patent does not support
 27 Arthrex's allegations that Melnick acted with deceptive intent during the
 28 prosecution of the '942 and '969 patents.

1 In sum, Arthrex has presented no evidence that requires a finding of
 2 deceptive intent by Melnick. The acts of alleged misconduct on which Arthrex
 3 relies to prove a “pattern of misconduct” either permit an inference that Melnick
 4 acted without deceptive intent or are proper as a matter of law. Accordingly,
 5 Arthrex cannot establish the intent element of the inequitable conduct standard.

6 **B. Arthrex Has No Evidence That Melnick’s Alleged Misconduct Was**
 7 **Material**

8 Arthrex has also failed to produce any evidence that Melnick’s alleged
 9 misconduct had the “but-for” materiality required by *Therasense*. See
 10 *Therasense*, 649 F.3d at 1291. Arthrex’s first inequitable-conduct theory
 11 alleges that Melnick’s actions “diverted” the examiner away from Millett’s
 12 work, but the evidence of record shows that the examiner considered both the
 13 Millett article and the Scott Statement. On the IDS form submitted in
 14 connection with the ‘942 patent, the examiner not only signed the page of the
 15 IDS form listing the Millett article and the page listing the Scott Statement, he
 16 also recorded 12/02/2011 as the “date considered” for each of these pages. Ex.
 17 17 at 216 and 217 (cite nos. 190 and 197). The examiner did the same with the
 18 IDS form submitted in connection with the ‘969 patent, except that the “date
 19 considered” was 12/13/2011. Ex. 18 at 223 and 224 (cite nos. 190 and 197).
 20 This is conclusive evidence that the examiner considered both the Millet article
 21 and Scott Statement, especially in view of the MPEP’s requirement that
 22 “Examiners must consider all references that are submitted in conformance with
 23 the rules....” Ex. 15 at 201 (MPEP § 609.05(b)); see also *Scripps Clinic &*
 24 *Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1582 (Fed. Cir. 1991)
 25 (stating that a reference submitted to the Patent Office “cannot be deemed to
 26 have been withheld from the examiner”).

27 Arthrex has produced no evidence in discovery to counter the evidence in
 28 the file history that the examiner considered the Millett work. Thus, Arthrex

1 must rely on its argument that the examiner could not have considered Millet
2 because, if he had, he surely would have discussed the Millett article. D.I. 36 at
3 8. This is not evidence, but supposition. There are many possible reasons for
4 the examiner's decision to discuss other references instead of the Millet article.
5 Perhaps the examiner considered Millet less relevant because it disclosed
6 techniques involving knot tying while the KFx patents expressly aim to
7 eliminate knot tying. Indeed, even Arthrex has recognized the significant
8 disadvantages of repair techniques that require the tying of knots. In a patent
9 application that Arthrex filed in February 2007, Arthrex noted that "[t]ying
10 knots during surgery is tedious and time-consuming," that "[t]here is a tendency
11 for the knots to deform or collapse," that "suture knots often are exposed to
12 abrasion or cutting," and that, "[a]ccordingly, a need exists for an improved
13 method for attaching soft tissue to bone which does not require multiple suture
14 knots." Ex. 19 at ¶¶ 4-5.⁴ Thus, the examiner might well have considered other
15 references more relevant and more worthy of discussion than the Millet article.

16 In any event, Arthrex cannot substitute speculation for actual evidence.
17 Under *Therasense*, Arthrex has the burden of proving by clear and convincing
18 evidence that the alleged "diversion" was material because it caused the
19 examiner not to consider a reference that would have prevented the patent from
20 issuing. *See Therasense*, 649 F.3d at 1291 (holding that the party alleging
21 inequitable conduct must prove but-for materiality). Because Arthrex cannot
22 carry its burden of proving materiality by clear and convincing evidence, KFx is
23 entitled to summary judgment. *See Celotex*, 477 U.S. at 325.

24 Finally, Arthrex's second inequitable-conduct theory alleges that
25 Melnick's priority claim in the '969 patent application was material because it
26 caused the examiner to conclude, erroneously, that the Millett article was not
27

28 ⁴ The Arthrex application claims priority to 2006.

1 prior art to the '969 patent claims. In the first place, this argument is flatly
 2 inconsistent with Arthrex's other allegation, made in connection with its first
 3 inequitable-conduct theory, that the examiner was diverted away from the
 4 Millett article and never considered it at all. But more importantly, Arthrex has
 5 adduced *no evidence whatsoever* that the examiner reached a conclusion about
 6 the priority date of the '969 patent claims, let alone clear and convincing
 7 evidence that the examiner accorded those claims the filing date of a provisional
 8 application. Indeed, it would require overwhelmingly probative evidence to
 9 establish that a Patent Office examiner, an expert in the patent law, was so
 10 ignorant of the law and the MPEP as to assume that the claims of a patent
 11 application are necessarily entitled to the earliest filing date in the application's
 12 priority claim.

13 In sum, Arthrex's failure to produce evidence to support its allegations of
 14 materiality is a second and independent basis for granting summary judgment in
 15 favor of KFx.

16 **V. CONCLUSION**

17 A party seeking to prove the serious charge of inequitable conduct has the
 18 burden of proving both intent to deceive and materiality by clear and convincing
 19 evidence. Because Arthrex has failed to produce evidence sufficient to prove
 20 either of these elements of inequitable conduct, KFx requests entry of summary
 21 judgment dismissing Arthrex's counterclaims and affirmative defenses of
 22 inequitable conduct in connection with the '942 and '969 patents.

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Respectfully submitted,

KNOBBE, MARTENS, OLSON & BEAR, LLP

Dated: May 17, 2013 By: s/ Joseph F. Jennings
Joseph F. Jennings
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PROOF OF SERVICE

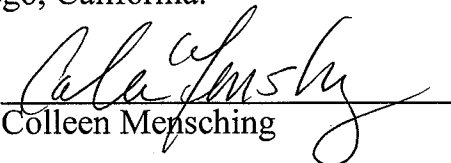
I hereby certify that on May 17, 2013, I caused the within
**MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF
PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT OF NO
INEQUITABLE CONDUCT IN CONNECTION WITH U.S. PATENT
NOS. 8,100,942 & 8,109,969** to be electronically filed with the Clerk of the
Court using the CM/ECF system which will send electronic notification of such
filing to the following person(s):

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I certify and declare under penalty of perjury under the laws of the State
of California that I am employed in the office of a member of the bar of this
Court at whose direction the service was made, and that the forgoing is true and
correct.

Executed on May 17, 2013, at San Diego, California.


Colleen Mensching

KFXL064L